

House File 2690 - Enrolled

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HOUSE FILE 2690

AN ACT
RELATING TO STUDENT LOANS, INCLUDING THE PROTECTION OF
STUDENTS AND PARENTS FROM CERTAIN LENDERS AND
INSTITUTIONS OF HIGHER EDUCATION WITH CONFLICTS OF
INTEREST, ESTABLISHING A STUDENT LENDING EDUCATION FUND,
ESTABLISHING PENALTIES, AND PROVIDING FOR PROPERLY RELATED
MATTERS, AND INCLUDING AN EFFECTIVE DATE.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

Section 1. Section 7C.12, subsection 2, Code 2007, is
amended by adding the following new paragraph:
NEW PARAGRAPH. c. Shall report quarterly any reallocation
of the amount of the state ceiling by the governor's designee
in accordance with this chapter to the legislative government
oversight committee and the auditor of state. The report
shall contain, at a minimum, the amount of each reallocation,
the date of each reallocation, the name of the political
subdivision and a description of all bonds issued pursuant to
a reallocation, a brief explanation of the reason for the
reallocation, and such other information as may be required by
the committee.

Sec. 2. NEW SECTION. 7C.13 QUALIFIED STUDENT LOAN BOND
ISSUER == OPEN RECORDS AND MEETINGS == OVERSIGHT.

1. CONDITION OF ALLOCATION. As a condition of receiving
the allocation of the state ceiling as provided in section
7C.4A, subsection 3, the qualified student loan bond issuer
shall comply with the provisions of this section.

2. ANNUAL REPORT AND AUDIT. The qualified student loan
bond issuer shall submit an annual report to the governor,
general assembly, and the auditor of state by January 15
setting forth its operations and activities conducted and
newly implemented in the previous fiscal year related to use
of the allocation of the state ceiling in accordance with this
chapter and the outlook for the future. The report shall
describe how the operations and activities serve students and
parents. The annual audit of the qualified student loan bond
issuer shall be filed with the office of auditor.

3. OPEN MEETINGS FOR CONSIDERATION OF TAX-EXEMPT ISSUANCE.
The deliberations or meetings of the board of directors of the
qualified student loan bond issuer that relate to the issuance
of bonds in accordance with this chapter shall be conducted in
accordance with chapter 21.

4. PUBLIC HEARING PRIOR TO ISSUANCE OF TAX-EXEMPT BONDS.
Prior to the issuance of tax-exempt bonds in accordance with
this chapter, the board of directors of the qualified student
loan bond issuer shall hold a public meeting after reasonable
notice. The board shall give notice of the time, date, and
place of the meeting, and its tentative agenda, in a manner
reasonably calculated to apprise the public of that
information and provide interested parties with an opportunity
to submit or present data, views, or arguments related to the
issuance of the bonds.

5. OPEN RECORDS FOR CONSIDERATION OF TAX-EXEMPT BONDS.
All of the following shall be subject to chapter 22:

a. Minutes of the meetings conducted in accordance with
subsection 3.

b. The data and written views or arguments submitted in
accordance with subsection 4.

c. Letters seeking approval from the governor for issuance
of tax-exempt bonds in accordance with this chapter.

d. The published official statement of each tax-exempt
bond issue authorized in accordance with this chapter.

6. STATE SUPERINTENDENT OF BANKING == REVIEW.

a. The state superintendent of banking shall not serve on
the board of directors of the qualified student loan bond
issuer.

b. The superintendent of banking shall annually review the
qualified student loan bond issuer's total assets, loan
volume, and reserves. Additionally, the superintendent shall
review the qualified student loan bond issuer's procedures to

3 4 inform students, prior to the submission of an application to
3 5 the qualified student loan bond issuer for a loan made by the
3 6 qualified student loan bond issuer, about the advantages of
3 7 loans available under Title IV of the federal Higher Education
3 8 Act of 1965, as amended, for which the students may be
3 9 eligible. The review shall verify that the qualified student
3 10 loan bond issuer issued bonds in accordance with this chapter
3 11 in conformance to the letter requesting approval of the
3 12 governor as set forth in subsection 5. The superintendent
3 13 shall submit the review to the general assembly by January 15.

3 14 7. NO STATE OBLIGATION FOR BONDS. The obligations of the
3 15 qualified student loan bond issuer are not the obligations of
3 16 the state or any political subdivision of the state within the
3 17 meaning of any constitutional or statutory debt limitations,
3 18 but are obligations of the qualified student loan bond issuer
3 19 payable solely and only from the qualified student loan bond
3 20 issuer's funds. The qualified student loan bond issuer shall
3 21 not and cannot pledge the credit or taxing power of this state
3 22 or any political subdivision of this state or make its debts
3 23 payable out of any moneys except those of the qualified
3 24 student loan bond issuer.

3 25 Sec. 3. NEW SECTION. 261E.1 DEFINITIONS.

3 26 As used in this chapter, unless otherwise specified:

3 27 1. "Borrower" means a student attending a covered
3 28 institution in this state, or a parent or person in parental
3 29 relation to such student, who obtains an educational loan from
3 30 a lending institution to pay for or finance a student's higher
3 31 education expenses.

3 32 2. "Covered institution" means any educational institution
3 33 that offers a postsecondary educational degree, certificate,
3 34 or program of study and receives any Title IV funds under the
3 35 federal Higher Education Act of 1965, as amended, or state
4 1 funding or assistance. "Covered institution" includes an
4 2 authorized agent of the educational institution, including an
4 3 alumni association, booster club, or other organization
4 4 directly or indirectly associated with or authorized by the
4 5 institution or an employee of the institution.

4 6 3. "Covered institution employee" means any employee,
4 7 agent, contract employee, director, officer, or trustee of a
4 8 covered institution.

4 9 4. "Educational loan" means any loan that is made,
4 10 insured, or guaranteed under Title IV of the federal Higher
4 11 Education Act of 1965, as amended, directly to a borrower
4 12 solely for educational purposes, or any private educational
4 13 loan.

4 14 5. "Gift" means any gratuity, favor, discount,
4 15 entertainment, hospitality, loan, or other item having a
4 16 monetary value of more than a de minimus amount. "Gift"
4 17 includes a gift of services, transportation, lodging, or
4 18 meals, whether provided in kind, by purchase of a ticket,
4 19 payment in advance, or reimbursement after the expense has
4 20 been incurred. "Gift" does not include any of the following:

4 21 a. Standard material, activities, or programs on issues
4 22 related to a loan, default aversion, default prevention, or
4 23 financial literacy.

4 24 b. Food or refreshments furnished to an officer, employee,
4 25 or agent of an institution as an integral part of a training
4 26 session or conference that is designed to contribute to the
4 27 professional development of the officer, employee, or agent of
4 28 the institution.

4 29 c. Favorable terms, conditions, and borrower benefits on
4 30 an educational loan provided to a borrower employed by the
4 31 covered institution if such terms, conditions, or benefits are
4 32 comparable to those provided to all students of the
4 33 institution.

4 34 d. Philanthropic contributions to a covered institution
4 35 from a lender, guarantor, or servicer of educational loans
5 1 that are unrelated to educational loans provided, as
5 2 applicable, that the contributions are disclosed pursuant to
5 3 section 261E.4, subsection 6.

5 4 e. State education grants, scholarships, or financial aid
5 5 funds administered under chapter 261.

5 6 f. Toll-free telephone numbers for use by covered
5 7 institutions or other toll-free telephone numbers open to the
5 8 public to obtain information about loans available under Title
5 9 IV of the federal Higher Education Act of 1965, as amended, or
5 10 private educational loans, or free data transmission service
5 11 for use by a covered institution to electronically submit
5 12 applicant loan processing information or student status
5 13 confirmation data for loans available under Title IV of the
5 14 federal Higher Education Act of 1965.

5 15 g. A reduced origination fee.
5 16 h. A reduced interest rate.
5 17 i. Payment of federal default fees.
5 18 j. Purchase of a loan made by another lender at a premium.
5 19 k. Other benefits to a borrower under a repayment
5 20 incentive program that requires, at a minimum, one or more
5 21 scheduled payments to receive or retain the benefit or under a
5 22 loan forgiveness program for public service or other targeted
5 23 purposes approved by the attorney general, provided these
5 24 benefits are not marketed to secure loan applications or loan
5 25 guarantees.
5 26 l. Items of nominal value to a covered institution,
5 27 covered institution employee, covered institution-affiliated
5 28 organization, or borrower that are offered as a form of
5 29 generalized marketing or advertising, or to create goodwill.
5 30 m. Items of value which are offered to a borrower or to a
5 31 covered institution employee that are also offered to the
5 32 general public.
5 33 n. Other services as identified and approved by the
5 34 attorney general through a public announcement, such as a
5 35 notice on the attorney general's web site.

6 1 6. "Lender" or "lending institution" means a creditor as
6 2 defined in section 103 of the federal Truth in Lending Act, 15
6 3 U.S.C. } 1602.
6 4 7. "Postsecondary educational expenses" means any of the
6 5 expenses that are included as part of a student's cost of
6 6 attendance as defined in Title IV, part F, of the federal
6 7 Higher Education Act of 1965, as amended.
6 8 8. "Preferred lender arrangement" means an arrangement or
6 9 agreement between a lender and a covered institution under
6 10 which the lender provides or otherwise issues educational
6 11 loans to borrowers and which relates to the covered
6 12 institution recommending, promoting, or endorsing the
6 13 educational loan product of the lender. "Preferred lender
6 14 arrangement" does not include arrangements or agreements with
6 15 respect to loans under part D or E of Title IV of the federal
6 16 Higher Education Act of 1965, as amended.
6 17 9. "Preferred lender list" means a list of at least three
6 18 recommended or suggested, unaffiliated lending institutions
6 19 that a covered institution makes available for use, in print
6 20 or any other medium or form, by borrowers, prospective
6 21 borrowers, or others.
6 22 10. "Private educational loan" means a private loan
6 23 provided by a lender that is not made, insured, or guaranteed
6 24 under Title IV of the federal Higher Education Act of 1965, as
6 25 amended, and is issued by a lender solely for postsecondary
6 26 educational expenses to a borrower, regardless of whether the
6 27 loan involves enrollment certification by the educational
6 28 institution that the student for which the loan is made
6 29 attends. "Private educational loan" does not include a
6 30 private educational loan secured by a dwelling or under an
6 31 open-end credit plan. For purposes of this subsection,
6 32 "dwelling" and "open-end credit plan" have the meanings given
6 33 such terms in section 103 of the federal Truth in Lending Act,
6 34 15 U.S.C. } 1602.
6 35 11. "Revenue sharing arrangement" means an arrangement
7 1 between a covered institution and a lender in which the lender
7 2 provides or issues educational loans to persons attending the
7 3 institution or on behalf of persons attending the institution
7 4 and the covered institution recommends the lender or the
7 5 educational loan products of the lender, in exchange for which
7 6 the lender pays a fee or provides other material benefits,
7 7 including revenue or profit sharing, to the institution or
7 8 officers, employees, or agents of the institution. "Revenue
7 9 sharing arrangement" does not include arrangements related
7 10 solely to products which are not educational loans.

7 11 Sec. 4. NEW SECTION. 261E.2 CODE OF CONDUCT.
7 12 1. A covered institution shall do the following:
7 13 a. Develop, in consultation with the college student aid
7 14 commission, a code of conduct governing educational loan
7 15 activities with which the covered institution's officers,
7 16 employees, and agents shall comply.
7 17 b. Publish the code of conduct developed in accordance
7 18 with paragraph "a" prominently on its internet site.
7 19 c. Administer and enforce the code of conduct developed in
7 20 accordance with paragraph "a".
7 21 2. The college student aid commission shall provide to
7 22 covered institutions assistance and guidance relating to the
7 23 development, administration, and monitoring of a code of
7 24 conduct governing educational loan activities.
7 25 3. Except as provided in this section, the college student

7 26 aid commission is not subject to the duties, restrictions,
7 27 prohibitions, and penalties of this chapter.

7 28 Sec. 5. NEW SECTION. 261E.3 PROHIBITIONS == REPORT.

7 29 1. GIFT BAN. No officer, employee, or agent of a covered
7 30 institution who is employed in the financial aid office of the
7 31 institution, or who otherwise has direct responsibilities with
7 32 respect to educational loans, shall solicit or accept any gift
7 33 from a lender, guarantor, or servicer of educational loans.
7 34 The attorney general shall investigate any reported violation
7 35 of this subsection and shall annually submit a report to the
8 1 general assembly by January 15 identifying all substantiated
8 2 violations of this subsection, including the lenders and
8 3 covered institutions involved in each such violation, for the
8 4 preceding year.

8 5 2. GIFTS TO FAMILY MEMBERS OR OTHERS. For purposes of
8 6 this section, a gift to a family member of an officer,
8 7 employee, or agent of a covered institution, or a gift to any
8 8 other individual based on that individual's relationship with
8 9 the officer, employee, or agent, shall be considered a gift to
8 10 the officer, employee, or agent if either of the following
8 11 applies:

8 12 a. The gift is given with the knowledge and acquiescence
8 13 of the officer, employee, or agent.

8 14 b. The officer, employee, or agent has reason to believe
8 15 the gift was given because of the official position of the
8 16 officer, employee, or agent.

8 17 3. CONTRACTING ARRANGEMENTS. An officer, employee, or
8 18 agent who is employed in the financial aid office of a covered
8 19 institution, or who otherwise has direct responsibilities with
8 20 respect to educational loans, shall not accept from any lender
8 21 or affiliate of any lender any fee, payment, or other
8 22 financial benefit including but not limited to the opportunity
8 23 to purchase stock on other than free market terms, as
8 24 compensation for any type of consulting arrangement or other
8 25 contract to provide services to a lender or on behalf of a
8 26 lender.

8 27 4. REVENUE SHARING ARRANGEMENTS. A covered institution
8 28 shall not enter into any revenue sharing arrangement with any
8 29 lender.

8 30 5. PROHIBITION ON OFFERS OF FUNDS FOR PRIVATE LOANS. A
8 31 covered institution shall not request or accept from any
8 32 lender any offer of funds, including any opportunity pool, to
8 33 be used for private educational loans to borrowers in exchange
8 34 for the covered institution providing concessions or promises
8 35 to the lender with respect to such institution providing the
9 1 lender with a specified number of loans, a specified loan
9 2 volume, or a preferred lender arrangement for any loan made,
9 3 insured, or guaranteed under Title IV of the federal Higher
9 4 Education Act of 1965, as amended, and a lender shall not make
9 5 any such offer. For purposes of this subsection, "opportunity
9 6 pool" means an educational loan made by a private lender to a
9 7 borrower that is in any manner guaranteed by a covered
9 8 institution, or that involves a payment, directly or
9 9 indirectly, by such an institution of points, premiums,
9 10 payments, additional interest, or other financial support to
9 11 the lender for the purpose of that lender extending credit to
9 12 the borrower.

9 13 6. PARTICIPATION ON ADVISORY COUNCILS. An officer,
9 14 employee, or agent who is employed in the financial aid office
9 15 of a covered institution, or who otherwise has direct
9 16 responsibilities with respect to educational loans, shall not
9 17 serve on or otherwise participate with advisory councils of
9 18 lenders or affiliates of lenders. Nothing in this subsection
9 19 shall prohibit lenders from seeking advice from covered
9 20 institutions or groups of covered institutions, including
9 21 through telephonic or electronic means, or a meeting, in order
9 22 to improve products and services for borrowers, provided there
9 23 are no gifts or compensation including but not limited to
9 24 transportation, lodging, or related expenses, provided by
9 25 lenders in connection with seeking such advice from the
9 26 institutions. Nothing in this subsection shall prohibit an
9 27 officer, employee, or agent of a covered institution from
9 28 serving on the board of directors of a lender if required by
9 29 law.

9 30 7. EXCEPTIONS.

9 31 a. Nothing in this section shall be construed as
9 32 prohibiting any of the following:

9 33 (1) An officer, employee, or agent of a covered
9 34 institution who is not employed in the institution's financial
9 35 aid office, or who does not otherwise have direct
10 1 responsibilities with respect to educational loans, from paid

10 2 or unpaid service on a board of directors of a lender,
10 3 guarantor, or servicer of educational loans.
10 4 (2) An officer, employee, or agent of a covered
10 5 institution who is not employed in the financial aid office
10 6 but who has direct responsibility with respect to educational
10 7 loans as a result of a position held at the covered
10 8 institution, from paid or unpaid service on a board of
10 9 directors of a lender, guarantor, or servicer of educational
10 10 loans, provided that the covered institution has a written
10 11 conflict of interest policy that clearly sets forth that such
10 12 an officer, employee, or agent must be recused from
10 13 participating in any decision of the board with respect to any
10 14 transaction regarding educational loans.

10 15 (3) An officer, employee, or agent of a lender, guarantor,
10 16 or servicer of educational loans from serving on a board of
10 17 directors or serving as a trustee of a covered institution,
10 18 provided that the covered institution has a written conflict
10 19 of interest policy that clearly sets forth the procedures to
10 20 be followed in instances where such a board member's or
10 21 trustee's personal or business interests with respect to
10 22 educational loans may be advanced by an action of the board of
10 23 directors or trustees, including a provision that such a board
10 24 member or trustee may not participate in any decision to
10 25 approve any transaction where such conflicting interests may
10 26 be advanced.

10 27 b. Nothing in this chapter shall be construed to prohibit
10 28 a covered institution from lowering educational loan costs for
10 29 borrowers, including payments made by the covered institution
10 30 to lending institutions on behalf of borrowers.

10 31 Sec. 6. NEW SECTION. 261E.4 MISLEADING IDENTIFICATION ==
10 32 COVERED INSTITUTION == LENDING INSTITUTIONS' EMPLOYEES.

10 33 1. A lending institution shall prohibit an employee or
10 34 agent of the lending institution from being identified to
10 35 borrowers or prospective borrowers of a covered institution as
11 1 an employee, representative, or agent of the covered
11 2 institution.

11 3 2. A covered institution shall prohibit an employee or
11 4 agent of a lending institution from being identified as an
11 5 employee, representative, or agent of the covered institution.

11 6 3. An employee, representative, or agent of a lending
11 7 institution included on a covered institution's preferred
11 8 lending list shall not staff a covered institution's financial
11 9 aid offices or call center and shall not prepare any of the
11 10 covered institution's materials related to educational loans.

11 11 4. A covered institution that has entered into a preferred
11 12 lender arrangement with a lender regarding private educational
11 13 loans shall not agree to the lender's use of the name, emblem,
11 14 mascot, or logo of the institution, or other words, pictures,
11 15 or symbols readily identified with the institution, in the
11 16 marketing of private educational loans to the students
11 17 attending the institution in any way that implies that the
11 18 institution endorses the private educational loans offered by
11 19 the lender. However, the covered institution may allow the
11 20 use of its name if it is part of the lending institution's
11 21 legal name.

11 22 5. Nothing in this section shall prohibit a covered
11 23 institution from requesting or accepting the following
11 24 assistance from a lender related to any of the following:

11 25 a. Providing educational counseling materials, financial
11 26 literacy materials, or debt management materials to borrowers,
11 27 provided that such materials disclose to borrowers the
11 28 identification of any lender that assisted in preparing or
11 29 providing such materials.

11 30 b. Staffing services on a short-term, nonrecurring basis
11 31 to assist the institution with financial aid-related functions
11 32 during emergencies, including state-declared or federally
11 33 declared natural disasters, federally declared national
11 34 disasters, and other localized disasters and emergencies
11 35 identified by the attorney general.

12 1 6. The attorney general shall adopt rules providing for
12 2 the disclosure, for lenders with a preferred lender
12 3 arrangement, of philanthropic contributions made as specified
12 4 in section 261E.1, subsection 5, paragraph "d".

12 5 Sec. 7. NEW SECTION. 261E.5 LOAN DISCLOSURE == LOAN
12 6 BUNDLING == PROHIBITIONS.

12 7 1. A covered institution that has entered into a preferred
12 8 lender arrangement with a lender regarding private educational
12 9 loans shall inform the borrower or prospective borrower of all
12 10 available state education financing options, and financing
12 11 options under Title IV of the federal Higher Education Act of
12 12 1965, as amended, including information on any terms and

12 13 conditions of available loans under such title that are more
12 14 favorable to the borrower.

12 15 2. A covered institution shall prohibit the bundling of
12 16 private educational loans in financial aid packages, unless
12 17 the borrower is ineligible for financing, is not eligible for
12 18 any additional funding, or has exhausted the limits of loan
12 19 eligibility, under Title IV of the federal Higher Education
12 20 Act of 1965, as amended, or has not filled out a free
12 21 application for federal student aid, and the bundling of the
12 22 private educational loans is clearly and conspicuously
12 23 disclosed to the borrower prior to acceptance of the package
12 24 by the borrower. The provisions of this subsection shall not
12 25 apply if the borrower does not desire or refuses to apply for
12 26 a loan under Title IV of the federal Higher Education Act of
12 27 1965.

12 28 3. A lending institution included on a covered
12 29 institution's preferred lender list shall disclose, clearly
12 30 and conspicuously, in any application for a private
12 31 educational loan, all of the following:

12 32 a. The rate of interest or the potential range of rates of
12 33 interest applicable to the loan and whether such rates are
12 34 fixed or variable.

12 35 b. Limitations, if any, on interest rate adjustments, both
13 1 in terms of frequency and amount, or lack thereof.

13 2 c. Coborrower requirements, including changes in interest
13 3 rates.

13 4 d. Any fees associated with the loan.

13 5 e. The repayment terms available on the loan.

13 6 f. The opportunity for deferment or forbearance in
13 7 repayment of the loan, including whether the loan payments can
13 8 be deferred if the borrower is in school.

13 9 g. Any additional terms and conditions applied to the
13 10 loan, including any benefits that are contingent on the
13 11 repayment behavior of the borrower.

13 12 h. Information comparing federal and private educational
13 13 loans.

13 14 i. An example of the total cost of the educational loan
13 15 over the life of the loan which shall be calculated using the
13 16 following:

13 17 (1) A principal amount and the maximum rate of interest
13 18 actually offered by the lender, or, if there is no maximum
13 19 rate provided under the terms of the loan agreement or
13 20 applicable state or federal law, a statement to that effect.

13 21 (2) Both with and without capitalization of interest, if
13 22 that is an option for postponing interest payments.

13 23 j. The consequences for the borrower of defaulting on a
13 24 loan, including any limitations on the discharge of an
13 25 educational loan in bankruptcy.

13 26 k. Contact information for the lender.

13 27 4. Not later than January 31, 2009, the attorney general
13 28 shall develop and make available to lenders a model disclosure
13 29 form that is based on the requirements of subsection 3. Use
13 30 of the model disclosure form by a lending institution in a
13 31 manner consistent with this chapter shall constitute
13 32 compliance with subsection 3.

13 33 Sec. 8. NEW SECTION. 261E.6 STANDARDS FOR PREFERRED
13 34 LENDER LISTS.

13 35 1. A covered institution may make available a list of
14 1 preferred lenders, in print or any other medium or form, for
14 2 use by the covered institution's students or their parents,
14 3 provided the list meets the following conditions:

14 4 a. The list is not used to deny or otherwise impede a
14 5 borrower's choice of lender.

14 6 b. The list contains at least three lenders that are not
14 7 affiliated and will make loans to borrowers or students
14 8 attending the school. For the purposes of this paragraph, a
14 9 lender is affiliated with another lender if any of the
14 10 following applies:

14 11 (1) The lenders are under the ownership or control of the
14 12 same entity or individuals.

14 13 (2) The lenders are wholly or partly owned subsidiaries of
14 14 the same parent company.

14 15 (3) The directors, trustees, or general partners, or
14 16 individuals exercising similar functions, of one of the
14 17 lenders constitute a majority of the persons holding similar
14 18 positions with the other lender.

14 19 c. The list does not include lenders that have offered, or
14 20 have offered in response to a solicitation by the covered
14 21 institution, financial or other benefits to the covered
14 22 institution in exchange for inclusion on the list or any
14 23 promise that a certain number of loan applications will be

14 24 sent to the lender by the covered institution or its students.
14 25 2. A covered institution that provides or makes available
14 26 a preferred lender list shall do the following:
14 27 a. Disclose to prospective borrowers, as part of the list,
14 28 the method and criteria used by the covered institution in
14 29 selecting any lender that it recommends or suggests.
14 30 b. Provide comparative information to prospective
14 31 borrowers about interest rates and other benefits offered by
14 32 the lenders.
14 33 c. Include a prominent statement in any information
14 34 related to its preferred lender list advising prospective
14 35 borrowers that the borrowers are not required to use one of
15 1 the covered institution's recommended or suggested lenders.
15 2 d. For first-time borrowers, refrain from assigning,
15 3 through award packaging or other methods, a borrower's loan to
15 4 a particular lender.
15 5 e. Not cause unnecessary certification delays for
15 6 borrowers who use a lender that is not included on the covered
15 7 institution's preferred lender list.
15 8 f. Update the preferred lender list and any information
15 9 accompanying the list at least annually.
15 10 3. If the servicer of a private educational loan is
15 11 changed by a lending institution, the lending institution
15 12 shall disclose the change to the affected borrower.
15 13 4. A lending institution shall not be placed on a covered
15 14 institution's preferred lender list or in favored placement on
15 15 a covered institution's preferred lender list for a particular
15 16 type of loan, in exchange for benefits provided to the covered
15 17 institution or to the covered institution's students in
15 18 connection with a different type of loan.
15 19 Sec. 9. NEW SECTION. 261E.7 DISCLOSURE REQUIREMENTS.
15 20 Except for educational loans made, insured, or guaranteed
15 21 by the federal government, a lending institution included on a
15 22 covered institution's preferred lender list shall, upon
15 23 receiving a request from a borrower, covered institution, or
15 24 government entity, disclose to the requester in reasonable
15 25 detail and form, the terms of private educational loans made
15 26 to borrowers by that lending institution and the rates of
15 27 interest charged to borrowers for private educational loans in
15 28 the year preceding the disclosures.
15 29 Sec. 10. NEW SECTION. 261E.8 PENALTIES.
15 30 1. If after providing notice and an opportunity for a
15 31 hearing the attorney general determines that a covered
15 32 institution or lending institution has violated a provision of
15 33 this chapter, the covered institution or lending institution
15 34 may be liable for a civil penalty of up to five thousand
15 35 dollars per violation. In taking action against a covered
16 1 institution or lending institution, consideration shall be
16 2 given to the nature and severity of a violation of this
16 3 chapter.
16 4 2. If after providing notice and an opportunity for a
16 5 hearing the attorney general determines that a covered
16 6 institution employee has violated a provision of this chapter,
16 7 the covered institution employee may be liable for a civil
16 8 penalty of up to two thousand five hundred dollars per
16 9 violation. In taking action against a covered institution
16 10 employee, consideration shall be given to the nature and
16 11 severity of a violation of this chapter.
16 12 3. If after providing notice and an opportunity for a
16 13 hearing the attorney general determines that a lending
16 14 institution has violated a provision of this chapter, such
16 15 lending institution shall not be placed or remain on any
16 16 covered institution's preferred lender list unless notice of
16 17 such violation is provided to all potential borrowers of the
16 18 covered institution. However, consideration shall be given to
16 19 the nature and severity of a violation of this chapter in
16 20 determining whether and for how long to ban a lender from a
16 21 preferred lender list.
16 22 4. Nothing in this section shall prohibit the attorney
16 23 general from reaching a settlement agreement with a covered
16 24 institution, covered institution employee, or lending
16 25 institution in order to effectuate the purposes of this
16 26 section. Provided, however, if such settlement agreement is
16 27 reached with a covered institution or lending institution, the
16 28 attorney general shall provide notice of such action to the
16 29 borrowers in a form and manner prescribed by the attorney
16 30 general.
16 31 5. The attorney general shall deposit the funds generated
16 32 pursuant to this section into the student lending education
16 33 fund, created in section 261E.10.
16 34 6. Each individual incident of a violation of this chapter

16 35 shall be considered a separate violation for the purpose of
17 1 imposing civil penalties.
17 2 Sec. 11. NEW SECTION. 261E.9 RULES == INVESTIGATION
17 3 AUTHORITY == ENFORCEMENT.
17 4 1. The attorney general shall administer this chapter and
17 5 promulgate rules, pursuant to chapter 17A, necessary for the
17 6 implementation of this chapter. Unless otherwise provided,
17 7 all actions by the attorney general pursuant to this chapter
17 8 shall be subject to the provisions of chapter 17A.
17 9 2. The attorney general is authorized to conduct an
17 10 investigation to determine whether to initiate proceedings
17 11 pursuant to this chapter to the same extent as the
17 12 investigation authority granted the attorney general under
17 13 section 714.16.
17 14 Sec. 12. NEW SECTION. 261E.10 STUDENT LENDING EDUCATION
17 15 FUND.
17 16 1. There is established in the state treasury a student
17 17 lending education fund.
17 18 2. The fund shall consist of all revenues generated
17 19 pursuant to section 261E.8 and all other moneys credited or
17 20 transferred to the fund from any other fund or source pursuant
17 21 to law.
17 22 3. Moneys in the fund shall be made available to the
17 23 attorney general for the purpose of enforcing this chapter.
17 24 Sec. 13. NEW SECTION. 261E.11 EFFECT ON OTHER LAWS OR
17 25 REGULATIONS.
17 26 This chapter shall not be interpreted to affect the
17 27 liability of any person, covered institution, or lending
17 28 institution under any other state statute or rule.
17 29 Sec. 14. STUDENT LOAN SECONDARY MARKET INVESTIGATION
17 30 REPORT.
17 31 1. The attorney general shall submit the findings and
17 32 recommendations resulting from the investigation of the
17 33 student loan secondary market and the Iowa student loan
17 34 liquidity corporation to the general assembly by January 15,
17 35 2009.
18 1 2. The attorney general shall present the findings and
18 2 recommendations resulting from the investigation of the
18 3 student loan secondary market and the Iowa student loan
18 4 liquidity corporation to the legislative government oversight
18 5 committee at the committee's October 2008 meeting.
18 6 Sec. 15. EFFECTIVE DATE. The sections of this Act
18 7 enacting sections 261E.3, 261E.5, 261E.6, and 261E.7, take
18 8 effect January 31, 2009.
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18 10
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18 12 _____
18 13 PATRICK J. MURPHY
18 14 Speaker of the House
18 15

18 16 _____
18 17 JOHN P. KIBBIE
18 18 President of the Senate
18 19

18 20 I hereby certify that this bill originated in the House and
18 21 is known as House File 2690, Eighty-second General Assembly.
18 22
18 23

18 24 _____
18 25 MARK BRANDSGARD
18 26 Chief Clerk of the House
18 27

18 27 Approved _____, 2008
18 28
18 29

18 30 _____
18 31 CHESTER J. CULVER
18 32 Governor